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Annual report

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Focused positioning

Pepkor is a South African based investment holding company managing retail interests in Africa and Australia. It is focused on the cash retail value market and, through its operating subsidiaries, all strongly positioned in their individual niche markets, it satisfies consumers' basic needs for clothing at affordable prices. It maintains its consistent growth through the integrity of its operations, the quality of its value-for-money merchandise and the entrepreneurial flair of its youthful management. As a substantial employer, it is fully committed to human resource development in order to create equal career opportunities for all. And as a

Woxing fine

responsible corporate citizen, Pepkor is involved in satisfying the needs and aspirations of the communities in which it is in business.

Cosizable

affordable

Milestones

Milestones from the past

The Pepkor group has its origins in the discount clothing retail chain Pep Stores. The group, which targeted the lower end of the consumer market from the outset, consists of three wholly-owned subsidiaries focused on the cash value sector of the retail clothing market. These businesses together operate more than 1 600 retail outlets in Africa and Australia, and employ approximately 13 000 people.

Some of the milestones in the history of the Pepkor group are the following:

1965

Pep Stores is started in Upington in the Northern Cape of South Africa.

1979

The company enters food retailing with the take-over of Shoprite which in turn acquires Grand Bazaars.

1986

The discount clothing chain Ackermans is acquired. The group lists its clothing interests on the JSE Securities Exchange as Pep Limited and its food interests as Shoprite Holdings Limited.

1992

Pep's interests in Botswana are listed on the Botswana Stock Exchange.

1997

Pepkor consolidates its UK retail interests in Brown & Jackson at the same time increasing its holding to 70%. A third chain, What Everyone Wants, is acquired.

Pepkor combines the activities of Smart Group Holdings with that of McCarthy Retail's clothing interests in exchange for a share in Retail Apparel Group (RAG) which is formed in the process.

Shoprite Holdings acquires OK Bazaars with its chains of supermarkets, furniture stores and Hyperamas from South African Breweries.

1999

Pep Limited is delisted from the JSE Securities Exchange.

1972

Pep Stores is listed on the JSE Securities Exchange.

1982

The name of the holding company is changed from Pep Stores to Pepkor Limited.

1991

Pepkor acquires control of the retail chains Smart Group Holdings, Cashbuild, Checkers and Stuttafords. Checkers is brought in under the Shoprite name.

The group extends its interests to the United Kingdom with the opening of the first Your More Store outlet in Scotland.

1994

Pepkor acquires the controlling interest of the British company Brown & Jackson with its wholly-owned subsidiary, the retail chain Poundstretcher. Pep's interests in Namibia is listed on the Namibian Stock Exchange.

1998

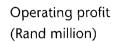
The group extends its interests to Australia by acquiring the clothing chain Best & Less, which was operating 84 stores at the time.

2000

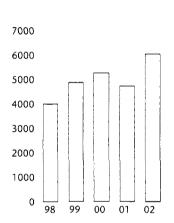
Cashbuild and Stuttafords are disposed of. In the UK Brown & Jackson acquires a fourth retail chain, The Famous Brunswick Warehouse. The group undergoes dramatic restructuring. Pepkor unbundles its interest in Shoprite and Brown & Jackson to shareholders. Pepkor's pyramid structure falls away, resulting in the delisting and disappearance of Pepgro, Pepkor's holding company. The businesses remaining in the group are the value clothing retailers Pep, Ackermans and Best & Less.

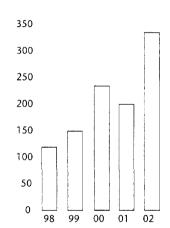
Key financial information.

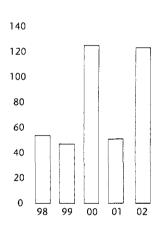




Earnings per share (cents)







R'000		02	01	Change
Turnover		6 066 438	4 762 412	27
Operating profit		335 989	200 097	68
Profit before exceptional items and taxation		427 753	167 488	155
Profit before exceptional items		274 701	113 874	141
Earnings per share – before exceptional items	(cents)	123,8	51,3	141
Dividend per share	(cents)	24,0	18,0	33
Dividend cover	(times)	5,2	2,9	!
Return on capital employed	(%)	32,7	20,0	
Interest-bearing debt: Total shareholders' funds	(%)	39,2	50,7	

Chairman's and managing director's report

Financial results

In the year to 30 June 2002 Pepkor performed remarkably well. In a highly competitive retail market it increased operating profit by 68% to R336 million (2001: R200 million) despite the fact that the period under review was one week shorter than in 2001.

The group produced this operating profit on turnover that grew a solid 27% from R4,76 billion to R6,07 billion. Net investment income of R92 million increased profit before exceptional items and tax by 155% to R428 million. This investment income benefited considerably from the decline in the value of the rand during the period under review.

Exceptional items of R72 million stemmed mainly from increases in the market value of investments held. During the previous financial year provisions were created in respect of earlier loans to share incentive trusts and a put option on a large number of Shoprite Holdings Limited shares. Writebacks during the year amounted to R89 million as a result of increases in the prices of the shares held by Pepkor in, among others, Shoprite and Tradehold.

Tax liability showed a corresponding increase from R46 million to R143 million, and the company ended the year with a net profit of R344 million as against a net loss of R140 million the previous year. Earnings per share, before exceptional items, rose 141% from 51,3c to 123,8c.

Pepkor also strengthened its balance sheet substantially, and now has cash resources of R678 million (2001: R538 million). Cash flow of R747 million was generated from the group's operations (2001: R214 million), while the gearing ratio was reduced from 50,7% to 39,2%. Net asset value per share increased by 32% to 582c.

Trading environment

The surprisingly strong and sustained increase in consumer confidence in South Africa over the past year benefited the local retail trade in particular. As a result, virtually the entire sector reported substantial increases in turnover and operating profit. Consumer confidence showed an upward trend in Australia as well, thanks to a stable economic growth rate, a decrease from 7,0% to 6,3% in unemployment and an inflation rate which has stabilised at about 3%.

Locally this trend led to a strong increase in business confidence, which reached its highest level in 14 years during the second quarter of this year. It is no surprise that the strongest increase in business confidence occurred in the retail trade.

Nevertheless, there are several factors in the South African economy which might have caused experts to predict instead a decrease in consumer confidence, such as the higher cost of living owing to increases in the prices of virtually all essential commodities, and the continued rise in unemployment to more than 29% of the economically active population.

Against expectations, however, various other factors caused consumer confidence to take a positive turn. Some of those most frequently identified are the tax concessions in the most recent budget, the free fall of the rand at the end of 2001, which led to increased income from exports and stimulated pre-emptive buying of durable goods, and, in general, a good agricultural year.

In addition, the South African economy is performing fairly well at the moment. The expected growth rate for the year is approximately 2,5% and 3% for 2003, the rand has made a partial recovery and has stood firm against most currencies in the past few months, the gold price has

stabilised at considerably higher levels than a year ago, and the country is doing well in its main export markets.

It would be irresponsible to think, however, that the present high level of consumer spending will be maintained indefinitely. Inflation is rising at an alarming rate and is currently among the highest in the prices of essential commodities such as food: the economic growth rate is too low to combat rising unemployment and the attendant lawlessness; and the benefits of the recent tax concessions are being eroded by repeated increases in interest rates. And we cannot ignore the effect on South Africa of the famine suffered by millions of people in our neighbouring countries. Moreover, Southern Africa will inevitably begin to feel the impact of HIV/AIDS to an increasing extent.

Over the years, however, Pep and Ackermans have proved that as low-cost businesses they are pre-eminently equipped to flourish in good times and to survive in difficult ones. Thanks to the fact that they are focused on the cash market and because of the comprehensive improvements made to their managerial and operating systems in the past three years, they are at present even better equipped than in the past to trade successfully under any circumstances. In addition, their returns will increasingly be boosted by the contribution made to group profit by Pepkor's Australian interests.

Operational review

Despite the inflationary pressure, a feature of the latter half of the year in particular, all three chains in the group performed significantly better than in 2001. All three showed that they are exceptionally well positioned to compete successfully in a highly competitive discount market. The achievement of Pep, which is still by far the largest business unit – in the period under review it generated 63% of the operating profit – was of vital importance to the group.

Although Pepkor's good results for the year were driven by lively consumer demand which had a favourable impact on the entire sector, it made excellent use of its opportunities and outperformed the rest of the market.

This performance also provides confirmation that the management changes during the year had not disrupted the stability Pepkor was regaining after its restructuring in October 2000.

Pepkor's return to its core business, however, also showed that, although progress had been made in improving operational efficiencies, there was still room for further improvement. This was the area most strongly focused upon in the case of all three operating subsidiaries during the period under review. This is also the area that will receive further attention in the new year.

Although tremendous progress has already been made in the case of Pep, it can unlock additional value by further improving its information and stock management. The same is true of its operations in the rest of Africa. Ackermans still has enormous potential within Southern Africa, which should be fully reflected in its results in the next year or two. And a further improvement in its operational efficiency will ensure Best & Less derives maximum benefit from its present growth phase.

With its operations on two continents and world-wide purchases, Pepkor is beginning to position itself more and more as a participant in the global economy. We believe we have the ability to compete successfully in such an environment. Africa has taught us hard and important lessons over the years, and the large number of

"Pepkor made excellent use of its opportunities and outperformed the market."



Christo Wiese, chairman, and Pieter Erasmus, managing director

Chairman's and managing director's report (continued)

variables with which management must necessarily contend on a day-to-day basis, has led to the development of world-class practices. This has given management excellent exposure and experience, and we believe that as a result Pepkor has reached the stage where it can decide where else it wants to apply these core assets and competencies to its advantage.

Prospects

We have high expectations of the year ahead despite the negative effect the rising cost of living over a broad front will inevitably have on the clothing retail trade. We believe that we have only begun to unlock the potential of Pep's retail formula, and that there is still room for considerable growth for this chain. This holds good not only for Pep's operations within South Africa, but also in the other African countries in which it is doing business. In our view Ackermans will continue to grow strongly. This brand is loyally supported by its target market, and further internal initiatives should unlock the underlying potential of the chain. We are equally enthusiastic in the case of Best & Less in Australia, which made a remarkable turnaround in the past year, the momentum of which, we believe, will increase in 2003. The sales momentum in the latter half of the year was maintained after the year-end, with strong demand for the new summer ranges now available in the stores. We are therefore confident that the group will report real earnings growth (excluding finance exchange rate gains) for at least the first half of the new financial year.

Board of directors

Several changes were made to the board of directors during the period under review. Mr Pieter Erasmus joined the board when he was appointed managing director in November 2001. His predecessor, Mr Carel Stassen, who assumed office as executive vice-chairman of the British retail group Brown & Jackson plc, is still a member of the board, but now serves in a non-executive capacity. Mr Daan Venter, formerly managing director of Ackermans and currently head of one of the retail chains in the Brown & Jackson group, retired from the board when he left for the United Kingdom.

We wish to extend a special welcome to Mr Doug Anderson, who rejoined the board shortly before the year-end. He was one of several directors who retired at the restructuring of Pepkor in October 2000, in his case after a term of office extending over 26 years. We are glad that we shall again be able to draw upon his enormous experience and knowledge.

Acknowledgements

The year under review presented us with great challenges, but also produced excellent results. It must be a special source of pride and satisfaction to everyone in Pepkor to know that the group is again firmly on course and that we can look forward to another exciting year. We are grateful for the achievements, sacrifices and loyalty of each and every staff member during the past financial year.

C H Wiese

P J Erasmus



Tiekie du Toit, financial director



		17/ ACKERMENS	BEST & LESS
	PEP	ACKERMANS	BEST & LESS
NUMBER OF STORES (at year-end)	1 246	Ackermans 264 Hang Ten 10	122
GEOGRAPHICAL SPREAD (number of stores)	South Africa 846 Africa other 400	South Africa 245 Africa other 29	Australia 122
PRODUCT RANGE	Clothing Footwear Household textiles Telecommunication products	Clothing Footwear Household textiles	Clothing Footwear Household textiles
CHIEF EXECUTIVE	André Labuschaigne	Pieter Erasmus	Howard Goldberg
EFFECTIVE HOLDING	100%	100%	100%
AVERAGE STORE SIZE (m²)	356	586	1 162
NUMBER OF STAFF (at year-end)	9 065	2 230	1 929
TARGET MARKET (living standard median/income group)	LSM 5/4/3/2/1	LSM 7/6/5/4	ВС

Review of operations **PEP**

Turnover

R3 055 million

Operating profit

R220 million

Capital employed

R561 million

Return on capital employed 33,7%

Number of stores

1 246

Number of employees

9 065

In the year to 30 June Pep did extremely well and showed that the potential of its retail formula had by no means been fully realised as yet. In a process that began three years ago, management continued to improve the business over a wide front. The results now being achieved are the cumulative outcome of those initiatives.

Despite the fact that the period under review was a week shorter than in 2001, Pep increased operating profit 47,9% on turnover that rose 18,9%. At the same time

management succeeded in reducing stockholding by R166 million. Growth in turnover was not achieved at the expense of profitability, and the profit margin was increased from 5,8% to 7,2%. The rise in turnover was achieved on an increase of about 2% in trading space, and like-for-like sales growth of 21,5%. Turnover in telecommunication products, mainly air time, always sold at a discount, continues to grow strongly and contributed more than 11% to total sales. The range of telecommunication products is still being expanded, and sales of air time in particular, regarded as being sustainable for at least the next few years.

Pep's return of 33,7% on capital employed – virtually double the 17,5% of 2001 – was among the highest in the retail sector. In the period under review the company also strengthened its balance sheet impressively and generated a positive cash flow of R437 million from its operations (2001: R94 million).

In the initiatives implemented by management over the past three years, every aspect of the business has been addressed, from product selection and stockholding to store location, to information and distribution systems.

An important reason for Pep's success is its more focused product range, the result of better product selection and variety in terms of quality, popularity and value for money. The company has an experienced team of buyers with a close understanding of the needs and aspirations of its target market, enhanced by the strategic alliances formed with a smaller number of suppliers to raise service levels and ensure consistent quality.

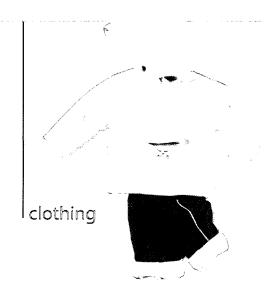
Information systems have also been improved substantially. Stock management has been refined in the stores network and in the supply chain. The improved supply procedures are backed by a distribution system that enables Pep to move stock rapidly and efficiently within the network as and when required. This system was developed by Pep and won a national award for the best logistic system.

Stock turnover has improved and turnover per square metre increased. With slow-moving stock no longer accumulating in stores, a better and more attractive shopping environment can be created for customers.

Over the past three years special attention has also been paid to store location. The object was not to increase the number of stores, but to adapt the location of existing stores to changes in pedestrian traffic. This is an ongoing process. Some 170 stores in South Africa have been moved to premises with a higher consumer density in terms of Pep's target market. More and more of them have been opened in shopping centres aimed at this

Product range







market. About 100 stores are refurbished every year. Over the past three years the contribution to profit by stores in South Africa has shown compound growth of about 45%.

Staff and their training have also received special attention, and the company has easily surpassed its empowerment targets. In a national survey conducted in the course of the year Pep was judged the best retailer in South Africa to work for. However, the company is not only popular with its staff, but also with its target market. Research shows that in the past two years it has grown market share by 20%, while confidence in the trademark increased from 59% in 1999 to 80% in 2002.

Management is currently engaged in a comprehensive project aimed at significantly increasing the profitability of Pep's only remaining clothing factory. This factory, which employs about 1 800 people and is the largest of its kind in the country, manufactures approximately 10% of Pep's products. These are mainly strategic lines such as schoolwear, one of the chain's most important product categories.

The past year produced excellent results in neighbouring countries such as Namibia and Botswana, but in Ghana, Malawi, Mozambique and Zambia, which are managed as a single unit, a considerable loss was suffered as a result of stock write-

"Pep's potential has by no means been fully realised as yet."

André Labuschaigne

offs. Product ranges were scaled down in these 71 stores and increasingly brought into line with consumer preferences in those countries. In spite of the poor economic conditions currently prevailing in Malawi and Ghana, this unit's operations are expected to be profitable in the new financial year.

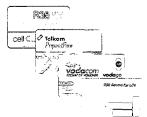
As in the first half of the year, the company's results were positively influenced by exchange rate profits resulting from, among other things, the decline in the value of the rand against the currencies of certain African countries where the chain operates. These profits, amounting to R74 million for the year, were accompanied by a positive cash flow from these African countries, reducing the chain's exposure.



Managing director

household textiles

telecommunication products



André Labuschaigne

Joined the company in 1998. He was formerly managing partner of PricewaterhouseCoopers, Western Cape.

Review of operations ACKERMANS

Turnover

R1 181 million

Operating profit R75 million

Capital employed R244 million

Return on capital employed 30.4%

Number of stores 274

Number of employees 2 230

While the other two chains in the group are characterised by dynamic change, Ackermans has been growing solidly from a stable base and at an acceptable pace, maintaining satisfactory profit margins and providing an excellent return on capital employed.

During the period under review Ackermans increased turnover 14,9% while like-for-like sales (which excludes turnover of new stores) rose 9% (2001: 2,4%). Operating profit was 17,5% higher

at R75 million (2001: R64 million) and the chain generated a cash flow of R127 million from operations. These results were achieved through meticulous cost control, effective stock management and the judicious positioning of new stores.

Ackermans targets the middle market with a product range covering clothing, footwear and home textiles. Its management has always shown a close understanding of its target market and the ability to select the right products. These are aimed at the whole family, although there is a strong focus on babywear. The Ackermans Baby Company (ABC) brand is, in fact, by far the market leader in South Africa in babywear.

Since acquiring the well-known American Hang Ten brand, Ackermans is also focusing more strongly on the youth market. Hang Ten gear is sold in all Ackermans stores, but in the 2001 financial year the chain also opened, on an experimental basis, two Hang Ten standalone stores in shopping malls to attract a different market segment and adding another dimension to the Ackermans image. In the period under review a further eight units were opened.

The chain has retained the loyalty of its traditional target market, and the strong support given to the ten new stores opened during the year confirmed the high level of acceptance enjoyed by this trusted brand. It now operates a network of 264 well-

positioned Ackermans stores in metropolitan areas and larger towns, an increasing number of them located in the bigger shopping centres. Given the lack of a sufficiently large middle market elsewhere south of the Sahara, Ackermans is focused on maximum growth within the borders of South Africa. However, it does operate a number of successful stores in neighbouring countries such as Namibia and Botswana.

Ackermans has managed to partially counter the sharp surge in inflation by increasing its opportunistic purchases on world markets where quality clothing is acquired at highly competitive prices.

Over the past financial year Ackermans also started expanding its textile department. For years a mainstay of the business, it had receded slightly into the background in recent times, but is now receiving renewed attention. Household textiles, as a product range, stimulates sales and generates sound margins.

Although operating profit showed an acceptable increase, margins for several reasons came under pressure. In addition to the reporting period being one week shorter than the previous year, growing pains from implementing a new distribution strategy brought about considerable additional costs. These problems have been largely resolved and the possibility is being investigated of

Product range







Ackermans also using Pep's highly successful distribution system.

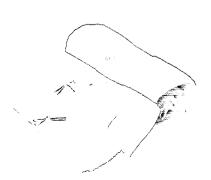
Management is implementing an intensive programme to increase stock turn. This involves upgrading information systems and using such data optimally to stimulate sales by better balancing supply and demand in stores and identifying and marking down slow-moving merchandise, especially fashion-linked items. Using this information the supply programme can be refined to ensure the correct merchandise reaches stores as quickly and efficiently as possible.

"Ackermans has been growing solidly from a stable base."

Pieter Erasmus



Managing director



household textiles

Pieter Erasmus

Joined the group in 1998. He was previously the financial director of the packaging division of Lenco Holdings.

Review of operations BEST & LESS

Turnover

R1 830 million

Operating profit R54 million

Capital employed R387 million

Return on capital employed 18,2%

Number of stores 122

Number of employees 1 929

After the sharp decline in the profit contribution of Best & Less in 2001, an extensive turnaround programme was launched under its new managing director, Mr Howard Goldberg, to restore its profitability. This decline resulted largely from external factors such as the aftermath of the Olympic Games, which was preceded by a consumer spending spree, the introduction of a 10% goods and services tax and a temporary softening of the general economic climate. Excellent progress has been made in the year to

30 June. The extent to which the business has regained the support of consumers is reflected in the increase of 57% in turnover. Against this background Best & Less could at year-end report a growth in operating profit from R5 million to R54 million. However, this figure was also positively influenced by the weakening of the rand against the Australian dollar during the period under review.

Where like-for-like sales dropped 6,4% in 2001 compared to the previous year, they grew 8,4% in 2002. This resulted in an increased operating margin which rose to 2,9% from 0,4%. Cash flow of just more than R78 million was generated from operations and the chain increased its return on capital employed from 2,8% to 18,2%, a figure which should be viewed against the background of Australian interest rates of 5%. These results were achieved in a highly competitive and price sensitive trading environment where international clothing discounters vigorously fight for market share.

Restoring the business to profitability was tackled across a broad front. The first objective was to restore consumer confidence in the ability of Best & Less to offer the right product at the right price at the right time. Positioned similarly to Ackermans, the chain sells mainly family clothing and household textiles with a strong focus on female shoppers. To

improve product offering and quality, the buying team was strengthened and strategic alliances entered into with suppliers to also reduce unit costs. In addition, the aim is to have those product ranges reflecting the latest fashion trends on the sales floor in the shortest possible time to create a more contemporary image with consumers. Enhancing this move, the chain secured the sole Australian rights for Mango, a highly popular brand with the target market.

The second objective was to create a more attractive shopping environment. A more contemporary look was developed for stores opened during the year while a number of older stores were refurbished to improve their general appearance and layout. In-store merchandise volumes were reduced to give a more spacious appearance and for the ease of shopping. Although striving to offer an improved product range in a more attractive environment, management does not lose sight of the fact that Best & Less operates in the discount market in which price is paramount.

The message of Best & Less as a reliable provider of value clothing is carried through in the chain's new advertising campaign in the print and electronic media. As a cluster approach is followed in the establishment of new stores, the chain is able to advertise vigorously to consumers on a regional basis.

Product range

BEST & LESS

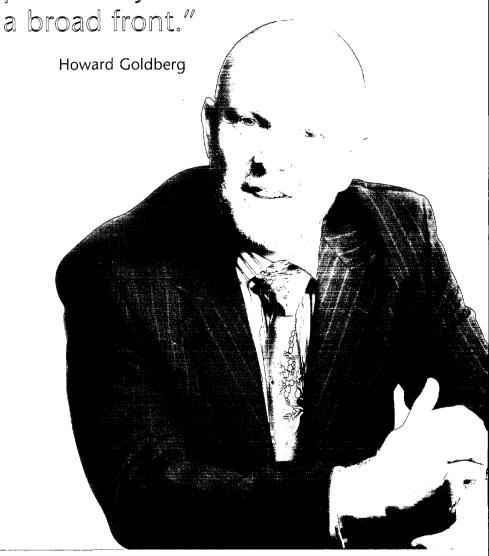




Much time and effort has also been devoted to advance the efficiency and cost-effectiveness of the supply chain. Distribution to stores has been improved as well as the chain's ability to identify slow-moving merchandise. Such stock is cleared on a regular basis to create space for more exciting merchandise.

During the review period much attention was also paid to growing the store network, and 14 stores were opened, mainly in Victoria and Western Australia. The chain now operates 122 stores which average approximately 1 150 square metres in size. They are located almost exclusively in metropolitan shopping centres. Although trading space was more readily available during the past financial year due to the economic downturn, the shortage of trading space remains a problem in Australia. In the light of the success of the Best & Less concept, management is now also experimenting with a trading format about half the size of a conventional store with a view to expanding it to the Australian rural areas.

"Restoring the business to profitability was tackled over



Managing director



household textiles

Howard Goldberg

Joined the company in March 2001. Prior to that he spent 14 years with Pacific Brands Clothing as general manager of Bonds Australia and Berlei Australia and more recently as group director: Clothing.

Directorate and administration

EXECUTIVE DIRECTORS

P J Erasmus (36) B.Com. CA(SA) Managing director

J H du Toit (41) B.Acc. CA(SA) Financial director

A C Labuschaigne (46) B.Acc. CA(SA) Managing director: Pep

NON-EXECUTIVE DIRECTORS

C H Wiese (60) B.A. LL.B. D.Com.(H.C.) Chairman

D H Anderson (64) B.Com. FCIS

AEP (Unisa) SMP (Harvard)

J W Basson (56) B.Com. CA(SA)

J J Fouché (54) B.Com. LL.B.

T R Hlongwane (63)

E Links (55) B.Com. Ph.D.

C Moore (52) B.Com. CA(SA)

C Stassen (52) B.Com. CA(SA)

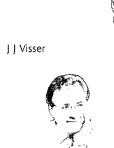
J J Visser (54) B.Com. CA(SA)



I W Basson



T R Hlongwane



J J Fouché



C Moore



E Links



D H Anderson





C Stassen

Administration

Main bankers

ABSA Bank FNB Corporate Nedbank

Attorneys

Jan S de Villiers

Sponsor

Barnard Jacobs Mellet Corporate Finance (Pty) Ltd

Transfer secretaries

Computershare Investor Services Limited PO Box 1053 Johannesburg, 2000

Telephone: +27 11 370 5000 Facsimile: +27 11 370 5271

Company secretary

J F Pienaar PO Box 6100 Parow East 7501

Auditors

PricewaterhouseCoopers Inc.

Registered office/number

Pepkor Limited Registration number 1965/007765/06 Incorporated in South Africa 36 Stellenberg Road Parow Industria 7490 Telephone: +27 21 933 5137 Facsimile: +27 21 933 5075

Value added statement

	2002		200	01
	R'000	%	R'000	-%
Turnover	6 066 438		4 762 412	
Investment income	209 619		118 806	
Paid to suppliers for goods and services	(4 645 691)		(3 996 076)	
Value added	1 630 366	100,0	885 142	100,0
Employed as follows:				
Employees				•
Salaries, wages and service benefits, including medical				
and retirement benefits	904 883	55,5	728 926	82,4
Providers of capital	172 855	10,6	194 948	22,0
Finance charges to providers of funds	117 855	7,2	151 415	17,1
Dividends to providers of share capital	55 000	3,4	43 533	4,9
Taxation				
Payment of taxation on profits made	141 807	8,7	9 752	1,1
Reinvested	410 821	25,2	(48 484)	(5,5)
Reinvested in the group to finance future				
expansion and growth	110.173		01.000	10.3
Depreciation Deferred taxation	110 163 1 588	6,8 0,1	91 000 36 619	10,3
	299 070	•	(176 103)	(19,9)
Retained profit/(loss)		18,3	(170 103)	(17,7)
Employment of value added	1 630 366	100,0	885 142	100,0

Five year review

Pepkor Limited and its subsidiaries

	2002	2001	2000	1999	1998
INCOME STATEMENT					
Turnover	6 066,4	4 762,4	5 287,1	4 895,3	4 023,4
Operating profit	336,0	200,1	234,4	150,1	120,0
Investment income	209,6	118,8	137,3	94,9	69,3
Interest paid	117,8	151,4	105,6	129,7	71,1
Profit before exceptional items	427,8	167,5	266,1	115,3	118,2
Exceptional items	71,9	(252,9)	(73,3)	(81,9)	12,8
Amortisation of goodwill	(2,2)	(0,8)	_	_	_
Income of associated companies	-	-	_	0,9	35,4
Profit before taxation	497,5	(86,2)	192,8	34,3	166,4
Taxation	143,4	46,4	(31,3)	(8,0)	12,2
Profit after taxation	354,1	(132,6)	224,1	42,3	154,2
Outside shareholders' interest	10,1	7,2	18,2	16,9	10,9
Net profit	344,0	(139,8)	205,9	25,4	143,3
Statistics per share					
Number of shares issued (million)	221,9	221,9	221,9	221,9	216,2
Earnings per share (cents)	123,8	51,3	125,4	47,3	54,2
(before exceptional items)					
Dividend per share (cents)	24,0	18,0	80,0	50,0	50,0
Dividend covér (times)	5,2	2,9	1,6	1,0	1,1
Profitability					
Operating margin (%)	5,5	4,2	4,4	3,1	3,0
Employees					
Number of employees	13 235	12 933	15 068	17 499	17 319
Turnover per employee (Rand)	458 363	368 237	350 882	279 749	232 310
Other statistics					
Number of retail outlets	1 642	1 590	1 524	1 608	1 622
Number of manufacturing units	2	2	3	4	6

Shareholders' information

Enquiries

Enquiries relating to shareholdings in the company such as the loss of share certificates, dividend payments, or to notify change of address and/or bank account details, please write to the transfer Computershare secretaries: Services Ltd, P O Box 1053, Johannesburg, 2000. If you have received more than one copy of this annual report, there may be more than one account in your name on the company's register of members. If you would like to amalgamate your holdings, write to the transfer secretaries, detailing the accounts concerned and instructions on how they should be amalgamated.

Additional copies of annual financial statements

Additional copies of the report are obtainable from:

South Africa: The Company Secretary, Pepkor Ltd, 36 Stellenberg Road, Parow Industria, 7490. Telephone number: (021) 933 5137.

United States of America: The Bank of New York, 101 Barclay Street, 22nd Floor West, New York, NY 10286. Telephone number: (212) 815 2207.

United Kingdom: The Company Secretary, Brown & Jackson plc, Knowsthorpe Gate,

Cross Green Industrial Estate, Leeds, LS9 ONP. Telephone number: (0113) 240 6406.

ADR programme for American investors

Ordinary shares in Pepkor Ltd are traded in the United States of America in the form of American Depository Shares (ADS's) and evidenced by American Depository Receipts (ADR's). Each ADS represents two ordinary shares. The US sponsored depository bank for the company is The Bank of New York, 101 Barclay Street, 22nd Floor West, New York, NY 10286.

Share transactions totally electronic ("STRATE")

In July 2001 the company has transferred its share capital to the electronic settlement and custody system, STRATE, designed to achieve contractual, rolling and irrevocable settlement. Shareholders who have not lodged their share certificates with a Central Securities Depositary Participant ("CSDP") or qualifying broker of their choice, are encouraged to do so. Currently all trades in the company's shares take place electronically, resulting in shareholders not being able to sell their Pepkor shares unless they exist in electronic form in the STRATE

environment. Any questions with regard to the transfer to STRATE may be directed to the company secretary at telephone number (021) 933 5137 or the transfer secretaries, Computershare Investor Services Ltd, at telephone number (011) 370 5000.

Dividends

An interim dividend of 11 cents per share was paid on 25 March 2002. A final dividend of 13 cents per share was paid on 30 September 2002, bringing the total dividend for the year to 24 cents (2001: 18 cents) per share.

To comply with the procedures of STRATE, the last day to trade in the shares for purposes of entitlement to the final dividend was Thursday, 19 September 2002. The shares commenced trading ex dividend on Friday, 20 September 2002 and the record date was Friday, 27 September 2002.

Payment of dividend directly into shareholders' bank accounts

Shareholders who do not currently have their dividend paid directly into a bank account and who wish to do so should complete a mandate instruction obtainable from the company's transfer secretaries at the above address.

Secretarial certification

In accordance with section 268G(d) of the Companies Act of South Africa ("the Act"), it is hereby certified that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.



J F Pienaar

Secretary

Stock exchange transactions

		Y	ear ended 30) June	
	2002	2001	2000	1999	1998
Number of shares traded ('000)	104 253	287 749	76 047	69 728	46 904
Value of shares traded (R'000)	407 172	910 550	1 799 540	1 565 937	1 404 792
Volume of shares traded as % of					
total issued shares	47,0	129,7	34,3	31,4	21,7
Market capitalisation (R'000)	887 746	634 738	5 415 248	5 393 054	4 745 098
Share price for the year (cents)					
Lowest	285	200	1 870	1 300	2 000
Average	391	316	2 366	2 246	2 995
Highest	471	860	3 200	3 300	3 990
Closing	400	286	2 440	2 430	2 195
JSE actuaries index					
Industrial shares	7 850	7 866	8 605	7 561	8 027

Shareholders' profile

	Number of shares	Percentage holding	Number of holders
An analysis of the certificated register of members as at 30 June 2002 revealed the following categories of membership and shareholdings equal to or exceeding 5% of the total issued shares in the company:			
CSD Materialised Control Account (dematerialised shares)	175 436 886	79,0	1
Titan Nominees (Pty) Ltd	41 299 281	18,6	1
Banks and nominee companies	4 263 115	1,9	14
Other corporate bodies	13 381	0,1	12
Individuals	923 721	0,4	797
Total	221 936 384	100,0	825
Major shareholders Given the high proportion of shares which have been dematerialised, a further analys sub-registers maintained by the Central Securities Depository Participants determined	the following		
Given the high proportion of shares which have been dematerialised, a further analys sub-registers maintained by the Central Securities Depository Participants determined registered shareholdings equal to or exceeding 5% of the total issued shares in the cor	the following npany:	25.2	
Given the high proportion of shares which have been dematerialised, a further analys sub-registers maintained by the Central Securities Depository Participants determined registered shareholdings equal to or exceeding 5% of the total issued shares in the cor SCMB Custody Account	the following	25,2 19,8	
Given the high proportion of shares which have been dematerialised, a further analys sub-registers maintained by the Central Securities Depository Participants determined registered shareholdings equal to or exceeding 5% of the total issued shares in the cor	the following mpany: 55 899 828	25,2 19,8 9,6	
Given the high proportion of shares which have been dematerialised, a further analys sub-registers maintained by the Central Securities Depository Participants determined registered shareholdings equal to or exceeding 5% of the total issued shares in the cor SCMB Custody Account Nedcor Nominee Holdings	the following npany: 55 899 828 44 038 042	19,8	
Given the high proportion of shares which have been dematerialised, a further analys sub-registers maintained by the Central Securities Depository Participants determined registered shareholdings equal to or exceeding 5% of the total issued shares in the cor SCMB Custody Account Nedcor Nominee Holdings Old Mutual Holdings Gardenview Nominees (Pty) Ltd Disclosures by nominee shareholders	the following npany: 55 899 828 44 038 042 21 371 284 12 336 788	19,8 9,6	
Given the high proportion of shares which have been dematerialised, a further analys sub-registers maintained by the Central Securities Depository Participants determined registered shareholdings equal to or exceeding 5% of the total issued shares in the cor SCMB Custody Account Nedcor Nominee Holdings Old Mutual Holdings Gardenview Nominees (Pty) Ltd Disclosures by nominee shareholders In terms of the provisions of section 140A of the Companies Act in South Africa, the fibeneficial shareholdings equal to or exceeding 5% of the total issued shares in the content of the companies and the content of the companies in the content of the content o	the following npany: 55 899 828 44 038 042 21 371 284 12 336 788 following npany	19,8 9,6	
Given the high proportion of shares which have been dematerialised, a further analyst sub-registers maintained by the Central Securities Depository Participants determined registered shareholdings equal to or exceeding 5% of the total issued shares in the consCCMB Custody Account Nedcor Nominee Holdings Old Mutual Holdings Gardenview Nominees (Pty) Ltd Disclosures by nominee shareholders In terms of the provisions of section 140A of the Companies Act in South Africa, the fibeneficial shareholdings equal to or exceeding 5% of the total issued shares in the conhave been determined from an analysis of the statutory disclosures submitted by the analysis of the statutory disclosures and the statutory disclosures are submitted by the analysis of the statutory disclosures and the statutory disclosures are submitted by the analysis of the statutory disclosures are submitted by the ana	the following npany:	19,8 9,6 5,6	
Given the high proportion of shares which have been dematerialised, a further analys sub-registers maintained by the Central Securities Depository Participants determined registered shareholdings equal to or exceeding 5% of the total issued shares in the cor SCMB Custody Account Nedcor Nominee Holdings Old Mutual Holdings Gardenview Nominees (Pty) Ltd Disclosures by nominee shareholders In terms of the provisions of section 140A of the Companies Act in South Africa, the form	the following npany: 55 899 828 44 038 042 21 371 284 12 336 788 following npany	19,8 9,6	

Notice to shareholders

Notice is hereby given that the thirty seventh annual general meeting of the shareholders of Pepkor Limited will be held in the boardroom of Pepkor's head office, 36 Stellenberg Road, Parow Industria, at 09:45 on 25 October 2002 for the purpose of passing the following resolutions, with or without modification:

Ordinary resolution number 1

To adopt the annual financial statements for the year ended 30 June 2002 including the auditors' report.

Ordinary resolution number 2

To confirm the directors' remuneration of R63 500.

Ordinary resolution number 3

To approve the simultaneous reappointments of the retiring directors by way of a single resolution.

Ordinary resolution number 4

To re-appoint Messrs D H Anderson, J W Basson, P J Erasmus, J J Fouché and T R Hlongwane who retire as directors in terms of the articles of association of the company, but being eligible, have offered themselves for re-election.

Ordinary resolution number 5

To confirm the payment of the ordinary dividend.

Ordinary resolution number 6

That, subject to the provisions of the Companies Act, 1973, as amended and the Listings Requirements of the JSE Securities Exchange South Africa, the directors are hereby authorised to allot and issue at their discretion all the remaining authorised but unissued ordinary share capital of the company for such purposes as they may determine after setting aside so many shares as may be required to be allotted and issued by the company, pursuant to the schemes governed by the rules of the Pep Limited Share Incentive Trust, the Pep Limited Share Incentive Trust number 2 and the Ackermans Limited Share Incentive Trust.

Ordinary resolution number 7

That, subject to the passing of ordinary resolution no. 6 and in accordance with the Listings Requirements of the JSE Securities Exchange South Africa, the directors are hereby authorised to issue ordinary shares of 5 cents each for cash, irrespective as to whom the shares will be issued, as and when suitable situations arise, subject to the following conditions:

- that this authority is valid until the company's next annual general meeting, provided it shall not extend beyond 15 months from the date that this authority is given;
- that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of ordinary shares in issue prior to the issue in question;
- that issues in the aggregate in any one financial year may not exceed 15% of the company's issued ordinary share capital of a particular class of share;
- that in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price as determined over the 30 days prior to the directors' resolution. Issues at a discount greater than 10% may be undertaken, subject to specific shareholders consent; and
- that any such issue will only be made to public shareholders as defined by the Listings Requirements of the JSE Securities Exchange South Africa and not to related parties.

The approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the meeting is required for this ordinary resolution to become effective.

Special resolution number 1

"Resolved, as a special resolution, that the mandate given to the company (or one of its wholly owned subsidiaries) providing authorisation, by way of a general approval, to acquire the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the Companies Act, 1973, as amended, ("the Act") and the Listings Requirements of the JSE Securities Exchange South Africa ("JSE"), be extended, subject to the following terms and conditions:

- Any repurchase of securities be implemented on the main board of the JSE (i.e. open market);
- This general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond fifteen months from date of passing of this special resolution;
- An announcement be published as soon as the company has cumulatively repurchased 3% of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- Acquisitions of shares by the company in aggregate in any one financial year may not exceed 20% of the company's issued share capital as at the date of passing of this special resolution or 10% of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;
- Repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the transaction was agreed."

The directors intend either to hold the shares purchased in terms of this authority as treasury shares or to cancel such shares whichever may be appropriate at the time of the repurchase of shares.

Notice to shareholders (continued)

The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of 12 months after the date of this notice of annual general meeting:

- the company and the group will be able, in the ordinary course of business, to pay its debts as they become due;
- the assets of the company and the group will be in excess of the liabilities of the company and the group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements;
- the working capital resources of the company and the group will be adequate for their current and foreseeable future business requirements; and
- the issued share capital and/or reserves are adequate for the purposes of the business of the company and the group for the foreseeable future without taking into account any further acquisitions.

The effect of the special resolution and the reason therefor is to extend the general authority given to the directors in terms of the Act and the Listings Requirements of the JSE for the acquisition by the company (or one of its wholly owned subsidiaries) of its own securities, which authority shall be used at the directors' discretion during the course of the period so authorised.

Special resolution number 2

"Resolved, as a special resolution, that Wilfred Meyersohn & Company (Proprietary) Limited, a wholly owned subsidiary of the company ("the subsidiary"), be and is hereby authorised by way of a specific authority, in accordance with Section 85 of the Act, and the company's Articles of Association, to repurchase 7 651 924 ordinary shares in the company's issued share capital, currently under the control of the Pep Limited Share Incentive Trust and the Pep Limited Share Incentive Trust No. 2 ("the Trusts") from the trustees of the Trusts at a price of R5,00 per share, being the weighted average market price on the JSE over the five business days to Friday, 20 September 2002."

The financial effects of the repurchase of shares will be as follows:

	Before	After	Change
Headline earnings per share for the year ended			
30 June 2002 (on the basis that the repurchase			
of shares was effective 1 July 2001)	124,7c	129,2c	+3,6%
Net asset value per share at 30 June 2002 (on the			
basis that the repurchase of shares was			
effective 30 June 2002)	581,9c	584,8c	+0,5%

The company intends to finance the said repurchase of shares by means of funds generated through its operations.

In terms of the Listings Requirements of the JSE, the controlling shareholders of the company, their associates and any parties acting in concert as well as shareholders participating in the share repurchase who are not regarded as being public are precluded from voting in respect of this special resolution.

The reason for the special resolution is to grant the subsidiary a specific authority to repurchase from the Trusts, 7 651 924 ordinary shares in the company's issued share capital, being a total of 3,4% of the issued share capital ("the subject shares") and thereby facilitating the sale of surplus shares, currently controlled by the Trusts. The effect of the special resolution will be that the subsidiary will be entitled to hold the shares thus repurchased as treasury shares.

During 1999 the subject shares were purchased on the open market at an effective average cost price of R5,72 for purposes of allocation to management and staff under the schemes regulated by the Trusts. Due to the changed market conditions and the unbundling of the Pepkor group of companies the majority of the subject shares were not allocated. Likewise the subject shares actually allocated were, in terms of the rules of the Trusts, resold to the Trusts at the original offer price thereof. Any loans granted to the Trusts by the company in excess of the repurchase price will be written off.

The directors are of the opinion that, after considering the specific repurchase and the price at which the specific repurchase will take place, that for a period of 12 months after the date of this notice of annual general meeting:

- the company and the group will be able, in the ordinary course of business, to pay its debts as they become due;
- the assets of the company and the group will be in excess of the liabilities of the company and the group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements;
- the working capital resources of the company and the group will be adequate for its current and foreseeable future business requirements; and
- the issued share capital and/or reserves are adequate for the purposes of the business of the company and the group for the foreseeable future without taking into account any further acquisitions.

Proxies

A member entitled to attend and vote may appoint a proxy, who need not be a member of the company, to attend, vote and speak on his behalf. A proxy form is enclosed for those members who are unable to attend the meeting. Proxies must reach the secretary at his office at 36 Stellenberg Road, Parow Industria 7490 at least 48 hours before the commencement of the meeting.

By order of the board

J F Pienaar

Secretary
25 September 2002

36 Stellenberg Road Parow Industria 7490

Pepkor annual financial statements 2002 Contents

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Corporate governance and approval of annual financial statements

The board subscribes to the principles of transparent and honest corporate governance as set out in the Code of Corporate Practices and Conduct in the King Report ("the Code"), and in all material respects complies with the requirements thereof. In line with their respective codes of ethics group companies endeavour at all times to maintain the highest standard of integrity in dealing with their clients, staff, shareholders and suppliers and in doing so to ensure the largest measure of credibility, trust and stability.

Group structure

Pepkor is an investment holding company with investments in unlisted companies. These operating companies have independent boards of directors on which representatives of Pepkor serve in a non-executive capacity. All Pepkor's subsidiaries are committed to the principles of sound corporate governance as contained in the Code, and as far as practicable comply with all the essential aspects thereof. Pepkor encourages these companies to comply fully with the Code, and to disclose any cases in which such compliance is not possible.

Board of directors

Pepkor's board consists of twelve directors, three of whom hold executive positions in the group. The chairman of the board is a non-executive director. The composition of the board provides for proper deliberation of all matters requiring the board's attention thereby ensuring balance of power and authority. The board meets at least four times a year. Particulars of the members of the board are furnished on page 14 of the annual report.

Audit committee

The Pepkor audit committee consists of three non-executive directors and one executive director, and meets at least twice a year in order to evaluate matters such as accounting practices, internal control systems, auditing and financial reporting. The audit committee is also charged with identifying and reporting to the board on critical areas of risk that have been identified for the group in collaboration with the management.

The audit committee functions in terms of a written mandate from the board, and the external auditors have unrestricted access to the committee. Relevant members of the executive management are also invited to attend meetings in order to assist the committee in carrying out its task. The audit committee receives feedback on the activities of the company's subsidiaries and also has access to the minutes of board meetings of these companies.

Remuneration committee

The remuneration of the executive directors is subject to the approval of the remuneration committee, consisting of the chairman of the company, the managing director and two non-executive directors.

Employment equity

The company pursues a policy of equal opportunities and no discrimination. Since the group's operations are vested in separate subsidiary companies, each of which operate in unique circumstances, those companies implement such staff development and affirmative action

programmes as are required by their particular circumstances and similarly provide for employee participation.

Internal control

The directors accept final responsibility for the internal control systems of the group. It is the management's responsibility to ensure that relevant legislation and regulations are complied with and that adequate internal financial control systems are developed and maintained in order to provide reasonable assurance regarding:

- the completeness and accuracy of the accounting records;
- the integrity and reliability of the annual financial statements; and
- the safeguarding of the business undertaking's assets.

The effectiveness of any internal financial control system depends upon strict observance of prescribed measures. Nonobservance of such measures by staff is always a risk. Consequently even a strict internal control system can only provide reasonable assurance as regards financial reporting and the safeguarding of assets. An evualation of the group's internal financial control systems was made in respect of the year ended 30 June 2002, and on the basis of this evaluation the board is of the opinion that the internal control systems in respect of financial reporting and the safeguarding of assets against unauthorised use or disposal complied with acceptable criteria.

Approval of annual financial statements

The responsibility for preparing and submitting the annual financial statements

was delegated to the management. The financial statements were prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are in accordance with the group's accounting records and policy which have been applied on a consistent basis.

The directors accept final responsibility for the integrity, objectivity and reliability of the annual financial statements and subscribe to the concept of transparency in financial reporting. The external auditors are responsible for reporting on the annual financial statements. The directors are of the opinion that the group has sufficient resources at its disposal to carry on the undertaking in the foreseeable future and the annual financial statements have accordingly been prepared on a going concern basis.

The directors' report, annual financial statements and group annual financial

statements as set out on pages 24 to 50 have been approved by the board.

Signed on behalf of the board of directors



C H Wiese
Chairman

P J Erasmus

Managing director

26 August 2002

Auditors' report

Report of the independent auditors to the members of Pepkor Limited

We have audited the annual financial statements and group annual financial statements of Pepkor Limited set out on pages 24 to 50 for the year ended 30 June 2002. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2002 and the results of their operations, changes in shareholders' funds and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

Pricewaterhouse Coopers Inc

PricewaterhouseCoopers Inc.

Registered Accountants and Auditors
Chartered Accountants (SA)

Cape Town 26 August 2002

Directors' report

Pepkor Limited and its subsidiaries

Share capital

Full details of the company's authorised and issued share capital are set out in the notes to the annual financial statements.

Share purchases

During the financial year the company purchased 20,2 million shares in Shoprite Holdings Limited at a price of R287 million in terms of a put option which expired. In terms of additional transactions, a further 12,9 million shares in Shoprite Holdings Limited and 13,7 million shares in Tradehold Limited, which previously were held by share incentive trusts, were bought at a price of R225 million.

Business of the group

Pepkor Limited is an investment holding company with investments in subsidiaries and at year-end the company controlled mainly the following investments:

- Pep Limited

Pep Stores retailing for cash, clothing, footwear, blankets and household softs/hardware from premises situated in the Republic of South Africa, Namibia, Botswana, Lesotho, Swaziland, Zambia, Mozambique, Malawi and Ghana.

Pep Manufacturing, manufacturing operations situated in the Western Cape allied to the clothing retail.

- Ackermans Limited

Ackermans retailing for cash, clothing, footwear, blankets and household softs/hardware from premises situated in the Republic of South Africa, Namibia, Botswana, Swaziland, Lesotho and Mozambique.

- Best & Less

Best & Less retailing for cash, clothing and household textiles from premises situated in Australia.

- Sundry

Pepkorfin, which renders certain head office services in the group.

Pepkor Limited's interest in its subsidiaries as well as their individual activities, is set out in the annual financial statements.

Group results

Change in accounting policy

The accounting policy relating to the provision of depreciation was changed to comply with the new South African Statement of Generally Accepted Accounting Practice relating to investment property (AC 135).

With effect 1 July 2001 depreciation is being provided on investment property with the purpose of writing off its value over periods not exceeding 50 years from the date of acquisition. Comparative figures were restated for this change.

The effect of the change in accounting policy on the results for the year to 30 June 2001 is that net profit before exceptional items reduced by R0,744 million from R114,618 million to R113,874 million, whereas earnings per share dropped from 51,6 cents to 51,3 cents. The effect on the net loss after exceptional items of the previous year is that the net loss increased by R0,744 million from R139,069 million to R139,813 million, with the loss per share increasing from 62,7 cents to 63,0 cents.

The change in accounting policy resulted in a reduction in net asset value per share at 30 June 2001 from 443,5 cents to 441,6 cents.

Earnings

After taking into account outside shareholders' interest, the group achieved earnings per share, before exceptional items, of 123,8 cents (2001: 51,3 cents).

Details of the results of Pepkor Limited and the group are contained in the income statement.

The attributable interest of Pepkor Limited in the taxed profits and losses, after exceptional items, of its subsidiaries for the year was as follows:

	2002	2001
	million	million
Total profits	R520,9	R205,6
Total losses	R179,2	R364,6

Dividends

An interim dividend of 11 cents (2001: 9 cents) per share was paid on 25 March 2002. A final dividend of 13 cents (2001: 9 cents) per share is payable on 30 September 2002. This brings the total dividend for the year to 24 cents (2001: 18 cents) per share.

Directorate

The names of the directors are listed on page 14 of the annual report. On 15 November 2001 Mr P J Erasmus was appointed as director, while Mr D H Anderson was appointed on 26 June 2002. Mr D J Venter resigned as director on 4 April 2002.

In terms of the articles of association of the company Messrs D H Anderson, J W Basson, P J Erasmus, J J Fouché and T R Hlongwane retire as directors of the company at the annual general meeting, but being eligible offer themselves for re-election.

At 30 June 2002 the directors of Pepkor Limited held a direct interest of 1,0% (2001: 2,1%) and an indirect, non-beneficial interest of 21,0% (2001: 20,9%) of the issued share capital of the company. Indirect holdings through listed companies have not been included. No material change in the shareholding of directors has occurred between the end of the financial year and the date of this report.

Holding company

The company has no holding company. An analysis of the main shareholders of the company appears on page 18 of this report.

Secretary

The name and address of the secretary appear on page 14 of this report.

Accounting policies

Pepkor Limited and its subsidiaries for the year ended 30 June 2002

The annual financial statements are prepared on the historical cost basis, with the exception of certain fixed assets which are adjusted for revaluations as detailed below, and incorporate the following principal policies which are, with the exception of the provision of depreciation on fixed property, in all respects consistent with those of the previous year:

1. Consolidated annual financial statements

The consolidated annual financial statements include the accounts of the company and all its subsidiaries. Goodwill is the excess of cost over net asset value at the date of acquisition of interests in subsidiaries. Goodwill is accounted for in the balance sheet and amortised using the straight-line method over its estimated useful life, not exceeding 20 years. The carrying value of goodwill is reviewed annually and written down in respect of a permanent impairment if deemed necessary.

2. Foreign currency

Amounts in foreign currency, resulting from trading, are converted to Rand at the contracted exchange rate. Exchange rate differences which occur at settlement or conversion are fully accounted for in the income statement in the period in which it occurred.

3. Foreign subsidiaries

Assets and liabilities of foreign subsidiaries, classified as foreign entities, are converted to Rand at the exchange rates ruling at year-end, whereas their income statement and cash flow statement items are converted to Rand at weighted average rates of exchange during the financial year. Differences arising on conversion are taken directly to nondistributable reserves. Net debits are however written off in the year in which they occur.

In respect of assets and liabilities of foreign subsidiaries classified as integrated foreign operations, monetary items are converted to Rand at the exchange rates ruling at year-end, whereas non-monetary items are converted to Rand at historical rates of exchange. Income statements and cash flow statements are converted to Rand at weighted average rates of exchange during the financial year. Differences arising on conversion are fully accounted for in the income statement in the period in which it occurred.

4. Turnover

Turnover of the group is the total of all sales of the company's subsidiaries, after elimination of intergroup sales.

5. Deferred taxation

Deferred taxation is provided at prevailing rates on the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the balance sheet.

Provisions for taxes which could arise on the remittance of retained earnings, principally relating to subsidiaries, is only made where there is a current intention to remit such earnings.

The principal temporary differences arise from depreciation on property, plant and equipment, provisions and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future

taxable income will be sufficient to recoup the deferred tax assets.

6. Property, plant and equipment

Land and buildings are regarded as investment properties and reflected at cost or valuation. With effect 1 July 2001 depreciation is being provided on investment property with the purpose of writing off its value over periods not exceeding 50 years from the date of acquisition. This represents a change in accounting policy, which necessitated thè restatement comparative figures.

Machinery, equipment and vehicles are depreciated at rates appropriate to the various classes of assets involved, taking into account the estimated useful life of the individual items.

Improvements to leasehold property are carried at cost and written off over the period of the lease.

Assets obtained in terms of finance lease agreements are capitalised.

Assets are depreciated over the following periods:

Buildings: 25 to 50 years

Machinery: 3 to 10 years

Equipment: 3 to 10 years

Vehicles: 3 to 5 years

7. Investments

Listed investments are reflected at the lower of cost or market value, as at financial year-end. When markets values are below cost, amounts written off are charged to exceptional items, with subsequent increases in value, up to historical cost, being written back to

exceptional items. Unlisted investments are reflected at the lower of cost or directors' valuation, with the treatment of adjustments being similar to that of listed investments.

8. Bank balances

Actual bank balances are reflected. Outstanding cheques are included in accounts payable and provisions and outstanding deposits in bank balances and cash.

9. Inventories

Inventories are valued at the lower of cost or net realisable value. Cost for the group is determined on the following bases:

- Raw material

The lower of a predetermined standard cost or actual cost.

- Work in progress

Direct costs which include raw material, direct labour and attributable production overheads.

- Merchandise

Manufactured in the group's factories:
Direct costs which include raw
material, direct labour and attributable
production overheads.

Purchased from other suppliers: Average cost less an adjustment for obsolete and slow moving inventories.

- Goods in transit

Invoice value of raw material and merchandise not yet received.

- Consumable goods

Actual cost.

The basis of determining cost by some of the non-RSA subsidiaries is the last-in-first-out-method, but is adjusted for the group to the abovementioned bases of valuation. The group's interest in the profit after taxation, resulting from the adjustment originating outside the RSA, is transferred to non-distributable reserves.

Currency of annual financial statements

The annual financial statements are expressed in South African Rand. The approximate Rand cost of a unit of the following currencies at year-end was:

	2002	2001
USA Dollar	10,31	8,07
Pound Sterling	15,75	11,36
Australian Dollar	5,80	4,09
European Currency Unit	10,19	6,83
Japanese Yen (100)	8,57	6,49

Income statement

co	MPANY			G	ROUP
2001 R'000	2002 R'000		Notes	2002 R'000	2001 R'000
		Turnover		6 066 438	4 762 412
(763)	(686)	Operating profit/(loss)	1	335 989	200 097
44 718	7 974	Investment income	2	209 619	118 806
43 955	7 288	Profit before interest paid		545 608	318 903
		Interest paid		117 855	151 415
43 955	7 288	 Profit before exceptional it 	tems	427 753	167 488
63 665	(226 246)	Exceptional items	3	71 933	(252 886
		Amortisation of goodwill		(2 221)	(801
107 620	(218 958)	Profit/(loss) before taxatio	Iì	497 465	(86 199
1 871	4 773	Taxation	4	143 395	46 371
105 749	(223 731)	Profit/(loss) after taxation		354 070	(132 570
		Outside shareholders' interest		10 092	7 243
105 749	(223 731)	Net profit/(loss)		343 978	(139 813
		Earnings per share (cents)			
		 before exceptional items 	5.1	123,8	51,3
		 after exceptional items 	5.2	155,0	(63,0
		 headline earnings 	5.3	124,7	51,7
		Dividend (cents per share)	6	24,0	18,0

Balance sheet

Pepkor Limited and its subsidiaries at 30 June

CO	MPANY	•	G	ROUP
2001 R'000	2002 R'000	Notes	2002 R'000	2001 R'000
		Assets		
797 259	751 381	Non-current assets	955 226	514 828
		Property, plant and equipment 7	486 503	388 764
		Goodwill 8	96 600	18 873
761 571	423 476	Interest in subsidiaries 9	70 000	10 0/ 0
35 688	327 905	Other investments 10	323 339	59 840
		Deferred taxation 11	48 784	47 35
62 382		Current assets	2 017 192	1 901 082
		Inventories 12	1 244 174	1 306 16
62 382	_	Amounts owing by subsidiaries 9		
		Accounts receivable 13	94 643	56 58:
		Bank balances and cash 22.3	678 375	538 33
859 641	751 381	Total assets	2 972 418	2 415 910
		Shareholders' funds and liabilities		
847 932	579 814	Ordinary shareholders' funds	1 291 415	980 08
11 097	11 097	Ordinary share capital 14	11 097	11 09
409 875	409 875	Ordinary share premium	409 875	409 87
426 960	158 842	Reserves 15	870 443	559 11.
92	92	Preference share capital 16	92	9
		Outside shareholders' interest	23 420	19 83
		Non-current liabilities	63 002	67 07
		Long-term loans 17	1 202	12 87
		Deferred taxation 11	17 189	14 16
		Other non-current liabilities 18	44 611	40 03
11 617	171 475	Current liabilities	1 594 489	1 348 81
11 617	12 143	Accounts payable and provisions 19	1 080 113	854 47
_	159 332	Amounts owing to subsidiaries		
		Short-term loans 20	58 263	66 710
		Bank overdrafts	456 113	427 62

Cash flow statement

	GR	ROUP
Notes	2002 R'000	2001 R'000
rations	700 530	123 663
	335 989	200 097
21.1	80 852	95 052
21.2	278 813	(41 406)
	209 619	118 806
	(117 855)	(151 415)
21.3	(40 766)	(7 331)
	746 652	213 803
	(44 387)	(86 555
hare-		
	(1 735)	(3 585
21.4	(568 850)	22 668
	131 680	146 331
	8 364	55 899
	_	92
	59 736	138 457
	(51 372)	(82 650
- balances		
_	140 044	202 230
es and cash		
year year	538 331	336 101
	140 044	202 230
ear	678 375	538 331
	trations 21.1 21.2 21.3 Share- 21.4 balances es and cash e year	2002 R'000

Statement of changes in shareholders' funds

R'000	Share capital and premium	Profit on share issue of subsidiaries	Foreign currency translation reserve	Other non-distri- butable reserves	Retained income	Total
GROUP						
Balance at 1 July 2001	420 972	31 860	. 11 518	17 770	497 967	980 087
As reportedPrior year adjustment	420 972	31 860	11 518	17 770	502 268 (4 301)	984 388 (4 301)
Exchange rate differences			11 737			11 737
Transfer from distributable reserve to non-distributable reserve Net profit for the year Dividend distributed				. 3 147	(3 147) 343 978 (44 387)	- 343 978 (44 387)
Balance at 30 June 2002	420 972	31 860	23 255	20 917	794 411	1 291 415
COMPANY Balance at 1 July 2001 Net loss for the year Dividend distributed	420 972	-	-	4 982	421 978 (223 731) (44 387)	847 932 (223 731) (44 387)
Balance at 30 June 2002	420 972	-	-	4 982	153 860	579 814

Notes to the annual financial statements

COMPANY				G	ROUP
2001 R'000	2002 R′000			2002 R'000	2001 R'000
		1.	Operating profit		
		1.1	Calculated on the following basis:		
			Turnover	6 066 438	4 762 412
			Cost of sales	3 988 510	3 060 283
			Gross profit	2 077 928	1 702 129
			Other operating income	222 323	113 511
			Distribution costs	(127 496)	(108 355)
(763)	(686)		Administrative costs	(186 182)	(165 930)
			Other operating costs	(1 650 584)	(1 341 258)
(763)	(686)		Operating profit	335 989	200 097
		1.2	Determined after taking into account the following expenditure:		
			Depreciation of property, plant and equipment	110 163	91 000
			Operating lease - buildings	438 153	352 115
			Lease payments	436 933	353 158
•			Sublease payments	(1 275)	(1 512)
			Contingent rents	2 495	469
			Staff costs	904 883	728 926
			Salaries, wages and service benefits	853 293	691 443
			Retirement benefit contributions	46 652	36 073
			Provision for post-retirement medical benefits	4 938	1 410
			Foreign exchange (profits)/losses	(76 445)	10 547
68	71		Auditors' remuneration	4 072	2 985
60	68		Audit fees – for this year	3 113	2 227
8	3		– (over)/underprovided in the		
			previous year	(158)	100
			Fees for other services	1 117	658
223	338		Fees paid for outside services	26 824	18 177
•			Administrative	23 527	16 098
			Technical	2 841	1 674
223	338		Secretarial	456	405
			Loss on sale and scrapping of property, plant		
			and equipment	2 948	965
		1.3	Directors' remuneration		
36	54	1.3.1			
6 156	6 698		Executive directors		
6 192	6 752				
(6 148)	(6 688)		Paid by subsidiaries		
44	64				

		Fees R'000	Basic remuneration R'000	Incentive bonuses R'000	Tota R'000
1.3.2	Non-executive directors				
	J W Basson	2	_	_	
	J J Fouché*	2	_	_	
	T R Hlongwane	20	-	_	2
	E Links	20	_	-	2
	C Moore	2	_	_	
	J J Visser	2	-	_	
	C H Wiese*	6	-	-	
		54	_	_	5-

*In addition to the above amounts, R1 325 330 (2001: R748 282) was paid to a management company in respect of the availability of these individuals as directors.

		Fees R'000	Basic remuneration R'000	Incentive bonuses R'000	Total R'000
1.3.3	Executive directors				
	J H du Toit	2	607	_	609
	P J Erasmus	2	598	674	1 274
	A C Labuschaigne	2	1 420	1 707	3 129
	C Stassen	2	455	375	832
	D J Venter	2	326	526	854
		10	3 406	3 282	6 698

COMPANY				GROUP	
2001 R'000	2002 R'000			2002 R'000	2001 R′000
42 490	179	2.	Investment income From subsidiaries		
42 381 109	179 -		Dividends Interest		
2 228	80 7 715		Interest received Dividends – unlisted investments – listed investments Exchange rate gain	26 804 497 7 715 174 603	82 781 8 348 - 27 677
44 718	7 974			209 619	118 806

COMPANY				GR	OUP
2001 R'000	2002 R'000			2002 R′000	2001 R'000
(11 551)	(220 070)	3.	Exceptional items Amount written off and net loss on disposal of investments Provision written back/(created) for loss resulting from put option in respect of Shoprite	(1 973)	(17 744)
88 626	-		Holdings Ltd shares and loans to share incentive trusts Liquidation distribution received (refer 22.3) Profit on disposal of fixed assets Impairment write-off on land and	88 991 - -	(333 354) 88 626 9 699
(13 410)	(6 176)		buildings Provision against interest in subsidiaries Other	(16 571) 1 486	(113)
63 665	(226 246)		Taxation – deferred	71 933 (435)	(252 886)
63 665	(226 246)			71 498	(252 886)
1 871	4 773	4. 4.1	Taxation Resulting from - Normal activities Exceptional items	142 960 435	46 371
1 871	4 773			143 395	46 371
1 871	4 773	4.2	Classification – South African normal taxation Foreign taxation	109 564 33 831	28 376 17 995
1 871	4 773			143 395	46 371
2	499	4.3	Consisting of – Current taxation Prior year taxation	114 287 23 123	17 321 (10 460)
1 869	4 274		Non-resident shareholders' tax Secondary tax on companies Deferred taxation	123 4 274 1 588	1 022 1 869 36 619

COMPANY				GR	OUP
2001 R'000	2002 R'000			2002 R'000	2001 R'000
		4.	Taxation (continued)		
		4.4	Reconciliation of tax rate		
30,0	30,0		South African normal tax rate	30,0	30,0
(28,3)	(32,2)		Net adjustment	(1,2)	(83,8)
(17,7)	(31,0)		Exceptional items	(4,1)	(89,1
(12,3)	0,8		Exempt income/non-deductible expenses	(2,6)	13,2
			Creation of tax losses	0,2	(12,9
			Utilisation of tax losses	(0,5)	3,7
			Tax rate adjustment	(0,1)	(2,1
1,7	(2,0)		Secondary tax on companies	0,9	(2,2
	•		Prior year taxation	4,6	7,8
			Non-resident shareholders' tax	0,1	(3,4
			Other adjustments	0,3	1,2
1,7	(2,2)		Effective tax rate	28,8	(53,8
402		4.5		75 330	119 742
402	_	4.5	Calculated tax losses at year-end Applied in the provision for deferred taxation	54 503	105 410
	, ,				· · · · · · · · · · · · · · · · · · ·
402			Net calculated tax losses	20 827	14 332
121			The utilisation of the tax relief of	6 248	4 300
			calculated at current tax rates on the net		
			calculated tax losses is dependent on		
			sufficient future taxable income in the		
			companies concerned.		
			The utilisation of the net calculated tax losses is uncertain due to insufficient taxable income in the foreseeable future.		
2.210		4.6	Credits in respect of secondary tax on	227	2.210
2 219	_		companies (STC) at year-end	336	2 219
277			The utilisation of the STC relief of	42	277
			calculated at current rates is dependent on the future distribution of dividends in the companies concerned.		
			The distribution of dividends from reserves will result in STC at 12,5%. No provision for		

STC on dividends from reserves is made as it is not envisaged that dividends will be declared

from these reserves.

COMPANY				GR	OUP
2001 R'000	2002 R′000			2002 R'000	2001 R′000
		4. 4.7	Taxation (continued) No provision for taxation is made on distributable reserves of foreign subsidiaries, as it is not envisaged that dividends will be declared from these reserves in the foreseeable future. The declaration of dividends from these reserves might result in a tax charge of R165 million.		
		5. 5.1	Earnings per share Before exceptional items: Based on net profit of	274 701	113 874
			and the number of shares in issue of ('000)	221 936	221 936
		5.2	After exceptional items: Based on net profit/(loss) of	343 978	(139 813
			and the number of shares in issue of ('000)	221 936	221 936
		5.3	Headline earnings: Based on headline earnings of	276 811	114 711
			Net profit/(loss) Attributable exceptional items (refer 3) Amortisation of goodwill Loss on sale and scrapping of property, plant and equipment after taxation and outside shareholders' interest	343 978 (71 498) 2 221 2 110	(139 813 252 886 802
			and the number of shares in issue of ('000)	221 936	221 936
		6.	Dividends paid		
66 581	-		2000 Final: 30 cents per share paid on 29 September 2000 2001 Interim: 9 cents per share paid on	-	66 583
19 974	-		23 March 2001 2001 Final: 9 cents per share paid on	-	19 974
-	19 974		25 September 2001 2002 Interim: 11 cents per share paid on	19 974	-
<u>-</u>	24 413		25 March 2002	24 413	-
86 555	44 387			44 387	86 555

GROUP

COMPANI					91	(OUP
2001 R'000	2002 R'000				2002 R'000	2001 R'000
		6.	Dividends paid (continued The 2002 final dividend of 13 in the amount of R28,852 mill 30 September 2002. This divident reflected in the annual financiable accounted for as an application of the second of the seco	cents per share, ion, is payable on end payable is not all statements, but we tion of shareholders		
		7.	Property, plant and equi	pment		
			Owned assets			
		7.1	Machinery, equipment and	l vehicles		
			Cost		916 954	746 851
			Aggregate depreciation		537 077	459 706
					379 877	287 145
		7.2	Improvements to leasehole	d property		
			Cost		533	621
			Amounts written off		522	566
					11	55
		7.3	Land and buildings			
			At cost or valuation		113 299	106 157
			Aggregate depreciation		6 684	4 593
					106 615	101 564
			A register containing details is inspection at the registered off			
		7.4	Total property, plant and	equipment	486 503	388 764
				Machinery,	Improvements	
				equipment,	to leasehold	Land and
				and vehicles	property	buildings
		7.5	Reconciliation of book val	lue –		
			Book value at beginning	287 145	55	101 564
			Additions	178 550	_	13 192
			Disposals and scrappings	(11 224)	(41)	_
			Depreciation	(108 069)	(3)	(2 091
			Impairment write-off	-	-	(16 571
			Exchange rate differences	33 475	_	10 521

Book value at end

3.79 877

11

106 615

COMPANY				GR	OUP
2001 R'000	2002 R'000			2002 R′000	200 R′00
		8.	Goodwill		•
		8.1	Consisting of -		
			Cost	99 622	19 67
			Aggregate amortisation	3 022	80
				96 600	18 87
		8.2	Reconciliation of book value -		
			Book value at beginning	18 873	
			Additions	79 948	19 67
			Amortisation	(2 221)	(80
			Book value at end	96 600	18 87
		9.	Interest in subsidiaries		· h · and any common but a real and any any common
494 582	500 789		Unlisted shares at cost		
400 748	_		Amounts owing		
(71 377)	(77 313)		Provision against interest in subsidiaries		
823 953	423 476				
(62 382)			Current accounts transferred to current assets		
761 571	423 476				
		10.	Other investments	•	
		10.1	Consisting of –		
	202 215		Amounts owing by share incentive trusts	12 504	9 04
- 35 688	292 217		Listed investments (refer 10.2)	292 217	3 72
33 000	35 688		Unlisted investments (refer 10.2) Staff and other loans	7 444 11 174	40 69 6 37
35 688	327 905			323 339	59 84
	292 217	10.2	Market value of listed investments	292 217	3 72
25.600					
35 688	35 688		Directors' valuation of unlisted investments	7 444	40 69
			A register containing details of investments is available for inspection at the registered office of the company.		

1	ma.	A ID	AP	UV

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2001 R'000	2002 R'000		2002 R'000	2001 R'000
	11.	Deferred taxation		
	11.	1 Deferred taxation asset		
		Consisting of – Tax losses carried forward	5 459	18 705
		Provisions and other current liabilities	45 742	30 216
		Other current assets	(2 417)	(1 570)
			48 784	47 351
	11.	2 Deferred taxation liability		
		Consisting of –		
		Property, plant and equipment	2 541	2 598
		LIFO reserves	6 646	4 952
		Unrealised profit	9 247	-
		Other current assets	75	7 336
		Provisions and other current liabilities	(318)	(22)
		Tax losses applied in reduction of provisions for deferred taxation	(1 002)	(696)
		for deterred taxation		=
			17 189	14 168
	11.	3 Reconciliation of deferred taxation		
		Net asset at beginning of the year	33 183	69 802
		Charged to income statement	(1 588)	(36 619)
		Net asset at end of the year	31 595	33 183
A. S	12	. Inventories		
		1 Consisting of –		
	12.	Raw material	25 128	19 951
		Work in progress	8 155	5 500
		Merchandise	1 096 338	1 217 515
		Trading inventories	1 129 621	1 242 966
		Goods in transit	114 278	62 942
		Consumable goods	275	258
			1 244 174	1 306 166
	12.	2 The following amounts have been included		
		at net realisable value:		
		Raw material	1 251	1 042
		Merchandise	7 339	7 530
				=

CON	MPANY			GR	OUP
2001 R′000	2002 R′000		·	2002 R′000	200 R′00
		13.	Accounts receivable		
			Trade accounts, less provision for doubtful debts Other debtors and debit balances, including	19 470	16 34
			payments in advance	75 173	40 24
				94 643	56 58
		14.	Ordinary share capital		
		14.1	Authorised:		
15 000	15 000		300 000 000 Ordinary shares of 5 cents each	15 000	15 00
		14.2	Issued:		
11 097	11 097		221 936 384 Ordinary shares of 5 cents each	11 097	11 09
		14.4	A maximum number of 777 000 shares in the authorised share capital of the company is reserved for issue to participants to the Ackermans Limited Share Incentive Trust and the Pep Limited Share Incentive Trust in equal parts on 31 August 2002, 31 August 2003 and 31 August 2004. An issue price of R6,38 per share applies to 259 000 shares, whereas the issue price in respect of the remaining 518 000 shares amounts to R3,00 per share. The unissued share capital is under the control of the directors who may issue it on such terms and conditions as they in their discretion deem fit.		
	and the state of t	15.	Reserves		
4 982	4 982		Non-distributable reserves	76 032	61 14
			Goodwill realised on sale of branches to a		
510	510		subsidiary		
			Reserve on acquisition of subsidiary	415	41.
			Profit on share issue of subsidiaries	31 860	31 86
	:		LIFO reserve in respect of non-RSA subsidiaries	13 538	10 39
4 396	4 396		Surplus on revaluation of land and buildings	6 438	6 438
	_ :		Foreign currency translation reserve	23 255	11 518
76	76		Capital redemption reserve fund	526	52
421 978	153 860	15.2	Distributable reserve Retained income	794 411	497 96
	158 842			870 443	
426 960					559 11:

COMPANY				GR	OUP
2001 R'000	2002 R'000			2002 R'000	200 R'000
	-	16. 16.1	Preference share capital Authorised: 120 000 000 Non-convertible, non-participating non-transferable redeemable no par value preference shares	_	
92	92	16.2	Issued: 91 920 930 Non-convertible, non-participating non-transferable redeemable no par value preference shares	92	9
		16.3	The preference shares are not convertible into shares of any other class, are not entitled to participate in any profits of the company and no dividends may be declared or paid in respect of them. The holder of these shares is entitled to be present at any meeting of the company and is entitled on a poll to one vote in respect of every share held.		
			The preference shares are redeemable in relation to the extent which the shareholder disposes of his interest in ordinary shares in the company. All issued preference shares are fully redeemable should the shareholder's interest in ordinary shares become less than 10%.		
		16.4	The unissued share capital is under the control of the directors who may issue it on predetermined terms under certain circumstances. Full particulars is available for inspection at the registered office of the company.		
······································		17.	Long-term loans Unsecured Repayable in half-yearly instalments until 2004 and interest-bearing at 15,6%	4 192	9 89
			Repayable in half-yearly instalments until 2002 and interest-bearing at 15,5% Other	8 686 -	34 05 25 07

Redemptions within 12 months transferred

to short-term loans (refer 20.2)

69 020

(56 143)

12 877

12 878

(11 676)

1 202

	COMPANY			GR	OUP
2001 R′000	2002 R′000			2002 R′000	2001 R'000
	•	18.	Other non-current liabilities		
			Provision for post-retirement medical benefits		
			Balance at beginning of the year	40 033	39 899
	•		Raised during the year	4 938	1 410
			Utilised during the year	(360)	(1 276
				44 611	40 033
•					
		19.	Accounts payable and provisions		to contract the second
10 623	10 650		Creditors and accrued expenses	954 250	830 877
			Leave provision	13 245	12 023
			Balance at beginning of the year	12 023	11 493
			Raised during the year	3 839	4 313
			Utilised during the year	(2 617)	(3 783
994	1 493		Taxation payable	112 618	11 577
11 617	12 143			1 080 113	854 477
		20.	Short-term loans		
		20.1	Secured		
			Short-term loan secured by the assets of a subsidiary, in the amount of R517 million, serving as security	46 587	10 567
			in the amount of RS17 million, serving as security	40 367	10 367
		20.2	Unsecured		
			Short-term portion of long-term loans (refer 17)	11 676	56 143
				58 263	66 710
		21.	Cash flow information		
Made and the seal of the seal		21.1	Non-cash items		
Madamatakin da Milirakin kikis ribi - mirin yapan yapa ya Afra ya				110 163	01.000
Makamalah sa di masaka sake sake sake sake sake sake sake			Depreciation	110 163	91 000
			Loss on sale and scrapping of property,		
			Loss on sale and scrapping of property, plant and equipment	2 948	91 000 965 3 087
		·	Loss on sale and scrapping of property,	2 948 (32 259)	965 3 087
			Loss on sale and scrapping of property, plant and equipment Foreign currency translation differences	2 948	965 3 087
		21.2	Loss on sale and scrapping of property, plant and equipment Foreign currency translation differences Decrease/(increase) in working capital	2 948 (32 259) 80 852	965 3 087 95 052
		21.2	Loss on sale and scrapping of property, plant and equipment Foreign currency translation differences Decrease/(increase) in working capital Inventories	2 948 (32 259) 80 852 61 992	965 3 087 95 052 (22 390
		21.2	Loss on sale and scrapping of property, plant and equipment Foreign currency translation differences Decrease/(increase) in working capital Inventories Accounts receivable	2 948 (32 259) 80 852 61 992 (38 058)	965 3 087 95 052 (22 390 41 751
(141)	27	21.2	Loss on sale and scrapping of property, plant and equipment Foreign currency translation differences Decrease/(increase) in working capital Inventories	2 948 (32 259) 80 852 61 992	

COMPANY				GR	OUP
2001 R'000	2002 R'000			2002 R'000	2001 R'000
		21. 21.3	Cash flow information (continued) Taxation paid		
(1 871)	(4 773)	21.0	Taxation per income statement	(143 395)	(46 371)
(3 650)	499		Increase/(decrease) in taxation payable	101 041	2 421
			Change in deferred taxation	1 588	36 619
(5 521)	(4 274)	•		(40 766)	(7 331)
_		21.4	Investment activities	 :	
			Acquisition of property, plant and equipment	(191 742)	(122 833)
			Proceeds on disposal of property, plant and equipment	8 317	109 406
			Decrease/(increase) in amounts owing by		
(12 630)	400 748		subsidiaries		
(07.006)	(C. 4.45)		Acquisition of further interests in existing	(2.445)	(27.62()
(27 826)	(6 447) (512 287)		subsidiaries Acquisition of listed investments	(6 447) (512 287)	(27 826)
_	(312 267)		Acquisition of listed investments Decrease/(increase) in amounts owing by	(312 287)	
			share incentive trusts	134 070	(97 839)
88 626	_		Liquidation distribution received	_	88 626
			Proceeds on disposal of operations	. –	89 211
			Other investment activities	(761)	(16 077)
48 170	(117 986)	,		(568 850)	22 668
\$17 BBCS (PBBS) \$111 WELLES COLL	·	22.	Contingent liabilities		Marrier - Frage Spill States provide Marrier - States - States - States - St
		22.1			
414 889	473 779		Subsidiaries	•	
140 000	70 000		Share incentive trusts	70 000	140 000
16 355	9 179		Other parties	9 179	16 355
571 244	552 958			79 179	156 355
		22.2	The company also guarantees the obligations		
			of certain subsidiaries in terms of lease		
			agreements in respect of land and buildings.		
		22.3	The company took cession of liquidation		
	•		benefits during the previous financial year.		
			The amount received is subject to the approval		
			of the final liquidation and distribution account,		
			with a cash deposit in the amount of R95 million	•	
			being ceded as security until the finalisation		
	•		of the liquidation, which is subject to arbitration.		

COMPANY				G	ROUP
2001 R'000	2002 R'000			2002 R'000	2001 R'000
		23.	Capital commitments		
			Contracted for	8 521	22 969
			Not contracted for	50 816	139 935
				59 337	162 904
			The above commitments are in respect of the 12 months after the accounting date. Funds to meet this expenditure will be provided from the company and group's own resources and by borrowings.		
		24. 24.1	Operating leases The group's minimum commitments in		
			respect of operating leases are as follows:	424 469	340 117
			Payable within 1 year Payable thereafter, but within 5 years	859 459	741 554
			Payable after 5 years	151 162	118 726
				1 435 090	1 200 397
		24.2	Total future sublease payments	1 534	8 026
		24.3	Lease agreements are entered into over periods ranging from 1 year to 10 years.		
		25.	Borrowing powers		
		20.	In terms of the articles of association of the		
			company, the borrowing powers of Pepkor		
			Limited are unlimited.		
r = 14 · r Shinding distance who distinguish shifting in	dtm.,-tm10,10,10,10,10,10,10,10,_	26.	Financial instruments	elemente de la mandra de la como	· · · · · · · · · · · · · · · · · · ·
			Financial instruments consist of derivatives,		
			investments, loans, accounts receivable, bank		
			balances and cash and accounts payable		
			resulting from normal business transactions.		
			Except for the total exposure represented by		
			the respective balance sheet items, no other		
			exceptional concentration of credit risk has		
			been included. Funds are invested at banks		
			with acceptable credit ratings only.		

2001 R'000 2002 R'000 2002 R'000 2001 R'000

26. Financial instruments (continued)

The group is exposed to interest rate risk due to the extent of borrowings and market related interest rate arrangements, with the exception of debt in the amount of R4 million, which bears interest at fixed rates.

The group has no risk of illiquidity due to unutilised banking facilities and unlimited borrowing powers.

Forward foreign exchange contracts are being applied, subject to the risk assessment of management, to hedge against the currency risk in respect of foreign liabilities. The policy of management is not to take forward cover in respect of foreign monetary assets.

There were no uncovered currency exposures in respect of foreign liabilities at 30 June 2002. At year-end the group had unutilised forward foreign exchange contracts in the amount of R100,7 million (USD\$9,2 million) expiring between 15 July 2002 and 18 November 2002.

The book value of financial instuments approximate the fair values thereof.

27. Related parties

Related party relationships exist between the company, its subsidiaries and the directors of the company. All intergroup transactions have been eliminated in the annual financial statements and there are no other material transactions with related parties. Details of the remuneration of the directors and their shareholding, are disclosed elsewhere in the annual financial statements.

28. Retirement benefits

28.1 Pension funds/provident funds

The group provides retirement benefits to more than half of its employees through monthly contributions to various pension and provident funds, which contributions are charged to income.

Pepkor Limited and its subsidiaries for the year ended 30 June

CC	OMPANY	GROUP	GROUP		
2001	2002	2002	2001		
R'000	R'000	R'000	R'000		

28. Retirement benefits (continued)

All South African funds are subject to the Pension Fund Act, 1956, and the pension funds are required to be actuarially valued every 3 years. Except for three funds to which no new members are admitted, all funds are defined contribution plans.

According to the latest actuarial valuations, the funds are financially sound.

28.2 Medical aid

Although there are no contractual obligations, certain group companies provide post-retirement medical benefits by funding a portion of the medical aid contributions of pensioners. Full provision for this expense is made with reference to actuarial valuations in respect of future medical contributions.

29. Share incentive schemes

29.1 There are four share incentive trusts where the rules empower the respective trustees to acquire shares in Pepkor Limited and to allocate shares and share options. In the case of the Pepkor Limited Share Incentive Trust, the Pep Limited Share Incentive Trust and the Ackermans Limited Share Incentive Trust the number of shares and share options under the control of the trustees, on a cumulative basis, is limited to 5% of the issued share capital of Pepkor Limited. In the case of the Pep Limited Share Incentive Trust No 2 a limit of 10% of the issued share capital of the company applies.

Number of shares/options							
7 031 670	12 271 586						
6 839 466	-						
1 060 000	-						
530 000	_						
(3 135 150)	-						
(16 000)	(18 000)						
_	(21 400)						
(38 400)	(2 194)						
12 271 586	12 229 992						

29.2 The movements during the accounting period for shares and options were as follows:

Balance at beginning of the period
Shares obtained with unbundling of Pepgro Limited
Shares acquired
Share options granted to employees
Cancellation of available shares
Cancellation of share options
Shares released to employees
Shares disposed of

COMPANY

GROUP

2001 R'000 2002 R'000 2002 R'000 2001 R'000

30. Change in classification

During the period under review some of the operations of the group's investments in foreign entities have been reclassified as integrated foreign operations. This reclassification was done as these foreign entities are extensions of the operational and financial activities of the South African holding company.

The reclassification had no material effect on any prior year figures.

Annexure A – Interest in subsidiaries

	Issued share	Percentage shares held by group		
	capital	2002	2001	
Subsidiaries	R	%	%	
Pep Limited				
- Clothing retail				
Pep Ltd	123 577 497	100	100	
Pep Beleggings	500 000	100	100	
Pep SA Ltd	100	100	100	
Pep Botswana Holdings Ltd	P270 000	70	70	
Pep Namibia Holdings Ltd	N\$22 510 141	84	84	
Pep Stores (Swaziland)	E100	100	100	
Pep Stores (Lesotho)	M100	100	100	
- Manufacturing				
Pepclo Ltd	200	100	100	
Ackermans Limited				
- Clothing retail				
Ackermans Ltd	276 522	100	100	
Ackermans Namibia	N\$1	100	100	
Ackermans Botswana	P100	100	100	
Ackermans Swaziland	E6	100	100	
Ackermans Lesotho	M1 000	100	100	
Other				
- Clothing retail				
Best & Less	A\$2	100	100	
- Services				
Pepkorfin	4	100	100	
- Investments				
Retail Holdings Ltd	£16 533 941	100	100	
Auriga BV	£11 975	100	100	

Notes

^{1.} General information in respect of subsidiaries as required in terms of paragraphs 69 and 70 of the Fourth Schedule to the Companies Act is set out in respect of only those subsidiaries, the financial position or result of which are material for a proper appreciation of the affairs of the group. A full list of subsidiaries is available on request.

^{2.} All companies are private companies unless stated otherwise.

Annexure B – Interest in subsidiaries

The financial interest of Pepkor Limited in subsidiaries at 30 June

	COMPANY			
Name of subsidiary	2002 R'000	2001 R'000		
Shares at cost				
Pep Limited	373 682	373 682		
Ackermans Limited	120 135	113 688		
Pepkor Clothing Industries Limited	27	27		
Pepkorfin (Proprietary) Limited	551	551		
Stat-Hold (Proprietary) Limited	-	240		
Retail Holdings Limited	2 139	2 139		
Wilfred Meyersohn & Company (Proprietary) Limited	-	-		
Smart-Hold Limited	4 255	4 255		
Grocehold (Proprietary) Limited	_	-		
Cash-Hold Limited	_	_		
Garhold (Proprietary) Limited	-	_		
Big D Discount Hyper Limited	-	-		
W M Twee (Proprietary) Limited		-		
	500 789	494 582		

Segmental analysis

Pepkor Limited and its subsidiaries for the year ended 30 June

	Turi	nover	Oper. pro	U	De _l ciat		Attrib profit excep ite	before tional		otal sets		otal ilities	Cap expen and go	diture
	2002 2001 R'm R'm			2001 R'm	2002 R'm	2001 R'm	2002 R'm		2002 R'm	2001 R'm			2002 R'm	2001 R'm
Operational analy	ʻsis													
Pep	3 055	2 570	220	149	49	44	108	88	1 308	1 415	627	701	89	64
Ackermans	1 181	1 028	75	64	28	24	*	*	466	442	441	449	59	32
Best & Less	1 830	1 164	54	5	32	22	40	(5)	592	344	503	340	85	27
Financing, invest- ments and head office	_	_	(13)	(18)	1	1	127*	31*	606	215	86	(74)	39	20.
Total	6 066	4 762	336	200	110	91	275	114	2 972	2 416	1 657	1 416	272	143
Geographical ana	lysis													
South Africa	3 395	2 847	240	148	66	58	220	100	2 272	1 725	1 082	989	175	99
Rest of Africa	841	751	42	47	12	11	15	19	108	347	72	87	12	17
Australia	1 830	1 164	54	5	32	22	40	(5)	592	344	503	340	85	27
Total	6 066	4 762	336	200	110	91	275	114	2 972	2 416	1 657	1 416	272	143

^{*}As these companies have not been capitalised, only combined figures are disclosed.

Geographical distribution of turnover

Geographical distribution of operating profit



Form of proxy

Pepkor Limited				
Registration number 1965/007765/06				
Incorporated in the Republic of South Africa				
Proxy form: Annual general meeting – 25 October	2002			
I/We (full names and surname in block letters)			,,,	
of (full address)				
as a member of Pepkor Limited, being the registere	ed holder of		shares in the cor	mpany, hereby appoint:
1		<u> </u>		or
2				or
3. The chairman of the meeting				
as my/our proxy to attend, speak and vote on i	my/our behalf, as	indicated below at the	e thirty seventh ann	ual general meeting of
shareholders of Pepkor Limited to be held at 09:45				
Indicate with an X in the appropriate block:	r			
		In favour of	Against	Abstain
Ordinary resolutions	1.			
	2.		· · · · · · · · · · · · · · · · · · ·	
	3.			
	4.			
	5.			
	-			
	6.			
	7.			
Special resolutions	1.			
	2.			
Signed at	this	day	v of	2002
Notas				

Notes:

- 1. A member entitled to attend and vote at the above general meeting shall be entitled to appoint one or more persons, who need not be members of the company as his proxy to attend and speak, to vote or abstain, in his place at such general meeting.
- 2. If a proxy form, duly signed, is lodged without specific directions as to which way the proxy is to vote, the proxy will be deemed to have been authorised to vote as he thinks fit.
- 3. If the proxy is signed under power of attorney or on behalf of a company, such power or authority, unless previously registered with the company, must accompany it.
- 4. Proxies must reach the secretary at his office at 36 Stellenberg Road, Parow Industria, 7490 (PO Box 6100, Parow East 7501) at least 48 hours before the commencement of the meeting.